

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

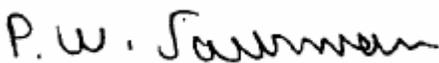
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
		Printed Name		License Number

VERGENNES TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2007

VERGENNES TOWNSHIP
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For the year ended March 31, 2007

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 1, 2007

The Township Board
Vergennes Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Vergennes Township (the "Township") as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Vergennes Township as of March 31, 2007, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Vergennes Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Co., P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

VERGENNES TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

As management of the Vergennes Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

- The Township's net assets increased by \$45,444 (or 10 percent).
- Total expenses of the Township's programs were \$423,582.
- Total revenues, including all program and general revenues, were \$469,026.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$259,576, an increase of \$29,916 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$257,576, or 59 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, roads and parks. The Township has no business-type activities.

The government-wide financial statements can be found on pages 10-11 of this report.

VERGENNES TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains two individual governmental funds, the General Fund and the Cemetery Trust Permanent Fund. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. The basic governmental fund financial statements can be found on pages 12-17 of this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 19-29 of this report.

Government – Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Vergennes Township, assets exceeded liabilities by \$498,798 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$239,182 (48 percent), reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

VERGENNES TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2007.

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 292,284	\$ 284,516
Capital assets	<u>375,156</u>	<u>378,828</u>
Total Assets	667,440	663,344
Liabilities		
Current liabilities	52,508	74,056
Noncurrent liabilities	<u>116,174</u>	<u>135,974</u>
Total Liabilities	168,682	210,030
Net Assets		
Invested in capital assets, net of related debt	239,182	223,654
Unrestricted	<u>259,576</u>	<u>229,660</u>
Total Net Assets	<u>\$ 498,758</u>	<u>\$ 453,314</u>

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2007:

	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for services	\$ 59,532	\$ 61,428
General Revenues		
Property taxes	139,361	130,953
State/intergovernmental revenue	249,632	250,630
Interest earnings	13,718	12,972
Other	<u>6,783</u>	<u>3,559</u>
Total Revenues	<u>469,026</u>	<u>459,542</u>
Expenses		
General government	188,979	207,388
Public safety	73,053	81,709
Public works	93,659	54,771
Community and economic development	28,745	17,142
Recreation and cultural	1,500	—
Other township	28,548	27,657
Interest on long-term debt	<u>9,098</u>	<u>3,182</u>
Total Expenses	<u>423,582</u>	<u>391,849</u>
Increase in net assets	45,444	67,693
Net Assets - Beginning of Year	<u>453,314</u>	<u>385,621</u>
Net Assets - End of Year	<u>\$ 498,758</u>	<u>\$ 453,314</u>

VERGENNES TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

Governmental activities increased the Township's net assets by \$45,444. Revenues increased by \$9,484 and expenses increased by only \$31,733 from 2005-06 to 2006-07.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Vergennes Township's one governmental fund, the General Fund, is described as follows:

Major Fund

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$468,951 and total expenditures of \$439,110. It ended the year with a fund balance of \$257,576, up from \$227,660 at March 31, 2006.

General Fund Budgetary Highlights

Over the course of the year, the Township revised the annual operating budget to comply with Michigan Department of Treasury guidelines. The budget amendment was made to reflect changes in expenditures as they occurred during the year, in the areas of public works and community and economic development.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2007, the Township had a \$405,879 investment in a broad range of capital assets, including land, land improvements, buildings and improvements, and furniture and equipment. (More detailed information about capital assets can be found in the notes to basic financial statements.)

There were no capital asset additions for the fiscal year, and accumulated depreciation increased \$3,672. The net book value of capital assets at March 31, 2007 is detailed as follows:

	Governmental Activities
Land	\$ 309,234
Land improvements	13,113
Buildings and improvements	45,671
Furniture and equipment	7,138
Total Capital Assets	\$ 375,156

VERGENNES TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

Long-Term Debt

On November 9, 2005, the Township entered into a land contract of \$161,424 to purchase property on Lincoln Lake Avenue. Principal payments during the year ended March 31, 2007 reduced the outstanding balance on the land contract to \$135,974 at fiscal year end. (More detailed information about long-term debt can be found in the notes to basic financial statements.)

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General Fund budget for 2007-08 anticipates a reduction in year end fund balance of \$21,083. This estimate reflects property tax growth within the Township, stable State shared and other revenues, and a continuing effort to control/reduce costs within the Township, while continuing to maintain a high quality of taxpayer service.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mari Stone, Township Clerk , Vergennes Township, 10381 Bailey Drive, Lowell, MI, 49331.

BASIC FINANCIAL STATEMENTS

VERGENNES TOWNSHIP
Statement of Net Assets
March 31, 2007

	Governmental Activities
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 244,782
Receivables:	
Taxes (Note C)	7,171
Due from other governmental units	40,331
Total Current Assets	292,284
Noncurrent Assets	
Capital assets (Note D)	405,879
Less accumulated depreciation	(30,723)
Total Noncurrent Assets	375,156
Total Assets	667,440
Liabilities	
Current Liabilities	
Due to other governmental units (Note E)	32,708
Current portion of land contract payable	19,800
Total Current Liabilities	52,508
Noncurrent Liabilities	
Land contract payable (Note F)	135,974
Less current portion of land contract payable	(19,800)
Total Noncurrent Liabilities	116,174
Total Liabilities	168,682
Net Assets	
Invested in capital assets, net of related debt	239,182
Unrestricted	259,576
Total Net Assets	\$ 498,758

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Statement of Activities
For the year ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental activities:				
General government	\$ 188,979	\$ 12,956	\$ -	\$ (176,023)
Public safety	73,053	46,576	-	(26,477)
Public works	93,659	-	-	(93,659)
Community and economic development	28,745	-	-	(28,745)
Recreation and cultural	1,500	-	-	(1,500)
Other township	28,548	-	-	(28,548)
Interest on long-term debt	9,098	-	-	(9,098)
Total Governmental Activities	\$ 423,582	\$ 59,532	\$ -	(364,050)
General revenues:				
Property taxes levied for:				
General operations				139,361
State revenue sharing				249,632
Interest earnings				13,718
Other				6,783
Total General Revenues				409,494
Change in Net Assets				45,444
Net Assets - Beginning of Year				453,314
Net Assets - End of Year				\$ 498,758

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2007

	<u>General</u>	<u>Permanent Fund Cemetery Perpetual Care</u>	<u>Total</u>
Assets			
Cash equivalents, deposits and investments (Note B)	\$ 242,782	\$ 2,000	\$ 244,782
Taxes receivable (Note C)	7,171	-	7,171
Due from other governmental units	40,331	-	40,331
Total Assets	<u>\$ 290,284</u>	<u>\$ 2,000</u>	<u>\$ 292,284</u>
Liabilities and Fund Balances			
Liabilities			
Due to other governmental units (Note E)	\$ 32,708	\$ -	\$ 32,708
Fund Balances:			
Unreserved:			
Designated	-	2,000	2,000
Undesignated, reported in:			
General fund	257,576	-	257,576
Total Fund Balances	<u>257,576</u>	<u>2,000</u>	<u>259,576</u>
Total Liabilities and Fund Balances	<u>\$ 290,284</u>	<u>\$ 2,000</u>	<u>\$ 292,284</u>

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2007

Total governmental fund balances	\$ 259,576
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$405,879 and accumulated depreciation is \$30,723.	375,156
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: Land contract payable	<u>(135,974)</u>
Total net assets - governmental activities	<u><u>\$ 498,758</u></u>

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2007

	General	Permanent Fund	Total
		Cemetery Perpetual Care	
Revenues			
Taxes	\$ 139,361	\$ -	\$ 139,361
Licenses and permits	46,576	-	46,576
State sources	249,632	-	249,632
Charges for services	12,956	-	12,956
Interest and rentals	13,643	75	13,718
Other revenue	6,783	-	6,783
Total Revenues	468,951	75	469,026
Expenditures			
Current:			
General government	185,307	-	185,307
Public safety	73,053	-	73,053
Public works	93,659	-	93,659
Community and economic development	28,745	-	28,745
Recreation and cultural	1,500	-	1,500
Other township	28,548	-	28,548
Debt service:			
Principal repayment	19,200	-	19,200
Interest expense	9,098	-	9,098
Total Expenditures	439,110	-	439,110
Excess of Revenues Over Expenditures	29,841	75	29,916
Other Financing Sources (Uses)			
Transfers in	75	-	75
Transfers out	-	(75)	(75)
Total Other Financing Sources (Uses)	75	(75)	-
Net Change in Fund Balances	29,916	-	29,916
Fund Balances, April 1	227,660	2,000	229,660
Fund Balances, March 31	\$ 257,576	\$ 2,000	\$ 259,576

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2007

Net change in fund balances - total governmental funds \$ 29,916

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

	Capital outlays	\$ -	
	Depreciation expense	<u>(3,672)</u>	(3,672)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of land contract	<u>19,200</u>
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Total changes in net assets - governmental activities	<u><u>\$ 45,444</u></u>
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VERGENNES TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 139,050	\$ 139,050	\$ 139,361	\$ 311
Licenses and permits	59,200	59,200	46,576	(12,624)
State sources	254,000	254,000	249,632	(4,368)
Charges for services	14,500	14,500	12,956	(1,544)
Interest and rentals	4,000	4,000	13,643	9,643
Other revenue	4,000	4,000	6,783	2,783
Total Revenues	474,750	474,750	468,951	(5,799)
Expenditures				
Current:				
General government:				
Township board	3,500	3,500	3,420	80
Supervisor	20,500	20,500	20,500	-
Clerk	20,500	20,500	20,500	-
Board of review	1,200	1,200	963	237
General administration	42,000	42,000	36,739	5,261
Treasurer	24,500	24,500	23,784	716
Assessor	35,821	35,821	33,586	2,235
Elections	8,000	8,000	5,197	2,803
Building and grounds	17,220	17,220	16,767	453
Legal and audit	38,500	38,500	15,471	23,029
Cemetery	9,300	9,300	8,380	920
Total general government	221,041	221,041	185,307	35,734
Public safety:				
Fire department	29,150	32,087	32,087	-
Inspections	50,950	50,950	40,966	9,984
Total public safety	80,100	83,037	73,053	9,984
Public works:				
Highways, streets and bridges	122,375	122,375	53,846	68,529
Street lighting	4,750	4,750	3,772	978
Storm drain	-	31,041	31,041	-
Hydrant rental	5,000	5,000	5,000	-
Total public works	132,125	163,166	93,659	69,507
Community and economic development:				
Planning	21,600	28,809	28,745	64
Recreation and cultural:				
Historical	1,500	1,500	1,500	-
Other township	27,600	27,600	28,548	(948)
Capital outlay	3,000	3,000	-	3,000

(Continued)

VERGENNES TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Debt service:				
Principal repayment	\$ 19,200	\$ 19,200	\$ 19,200	\$ -
Interest expense	9,800	9,800	9,098	702
Total debt service	<u>29,000</u>	<u>29,000</u>	<u>28,298</u>	<u>702</u>
Total Expenditures	<u>515,966</u>	<u>557,153</u>	<u>439,110</u>	<u>118,043</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(41,216)</u>	<u>(82,403)</u>	<u>29,841</u>	<u>112,244</u>
Other Financing Sources				
Transfers in	<u>10</u>	<u>10</u>	<u>75</u>	<u>65</u>
Net Change in Fund Balances	<u>(41,206)</u>	<u>(82,393)</u>	<u>29,916</u>	<u>112,309</u>
Fund Balances, April 1	<u>227,660</u>	<u>227,660</u>	<u>227,660</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 186,454</u></u>	<u><u>\$ 145,267</u></u>	<u><u>\$ 257,576</u></u>	<u><u>\$ 112,309</u></u>

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Fiduciary Funds
Statement of Fiduciary Net Assets
March 31, 2007

	<u>Agency Funds</u>
Assets	
Cash equivalents, deposits and investments (Note B)	<u>\$ 12,854</u>
Liabilities	
Escrow deposits	<u>\$ 12,854</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Note A – Summary of Significant Accounting Policies

Vergennes Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Township Board consisting of a Supervisor, Clerk, Treasurer, and two Trustees, each of whom is elected for a four-year term of office. The Township provides the following services to its residents as provided by statute: public safety (fire and inspections), highways and streets, cultural, planning and zoning, general administrative and other services.

The financial statements of Vergennes Township (the “Township”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Township’s accounting policies are described below.

1. The Reporting Entity

The accompanying financial statements present the Township of Vergennes. The Township has no component units, i.e., entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

Additionally, the Township reports the following non-major fund types:

The *Krum Cemetery Trust Permanent Fund* accounts for fees collected to be used for cemetery improvements.

The *Trust Account Agency Fund* accounts for the collection of bonds and deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

The budget presented in the financial statements was prepared on the same basis as the accounting basis used to reflect actual results. The General Fund is subject to legal budgetary accounting controls and is budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budget is generated with input from the Clerk, the Treasurer, the Supervisor and the Township Trustees.
- The completed budget is then presented to Township electors at a public hearing in March, at which time taxpayer comments and recommendations are heard. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General Fund budget was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act). The budget to actual revenues and expenditures in the financial statements represent the final budget as amended by the Township.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for the General Fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-30 years
Buildings and improvements	20-40 years
Furniture and equipment	5-15 years

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

11. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker’s acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school Township in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Township in Michigan.

Balances at March 31, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:	
Governmental Activities	\$ 244,782
Cash equivalents, deposits and investments of Fiduciary Funds:	
Agency Funds	<u>12,854</u>
	<u>\$ 257,636</u>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and liquid asset accounts. Deposits consist of certificates of deposit.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Huntington National Bank

March 31, 2007 balances are detailed as follows:

	<u>Primary Government</u>
Cash equivalents	\$ 94,814
Deposits	<u>2,000</u>
	<u>\$ 96,814</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned to the Township. Protection of Township cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Township's cash equivalents and deposits was \$96,814 and the bank balance was \$163,908, of which \$100,000 was covered by federal depository insurance and \$63,908 was uninsured.

Investments

The Township had balances totaling \$160,822 in the Kent County Surplus Funds Investment Pool at March 31, 2007.

Custodial Credit Risk and Interest Rate Risk

It is the policy of Vergennes Township to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

The Township's investment policy states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of discretion to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Funds of Vergennes Township will be invested in accordance with state and local statutes, and in accordance with the following objectives in order of priority:

Safety: Safety of principal is the foremost objective of the investment program. Investments of Vergennes Township shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Liquidity: Vergennes Township's investment portfolio will remain sufficiently liquid to enable the Township to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by Vergennes Township shall be conducted on a cash basis (delivery-versus-payment (DVP) basis). Securities will be held by a third party custodian designated by the Township Treasurer and evidenced by safekeeping receipts and determined by the Treasurer.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

Note C – General Property Taxes

Property taxes for the Township and County become due and payable on December 1 of each year. School district taxes are payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Kent Intermediate School District, Grand Rapids Community College and Lowell Area Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

Township property tax revenues are recognized in the General Fund in the fiscal year levied, to the extent they are measurable and available.

The Township is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.1 mills of general property taxes on the taxable valuation in the Township. Due to the effect of the Headlee Amendment, actual tax levies were reduced to .8732 for the fiscal year ended March 31, 2007.

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2006	2005	2004	2003
Township taxes levied	\$ 137,079	\$ 129,736	\$ 122,667	\$ 114,563
Taxes collected:				
Current to March 1	129,907	122,899	116,462	114,563
Total to March 31, 2007	129,907	129,736	122,667	114,563
Percentages of collections:				
Current to March 1	94.76%	94.73%	94.94%	95.47%
Total to March 31, 2007	94.76%	100.00%	100.00%	100.00%

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

The valuations of taxable property in the Township for prior years are compared with 2007 valuations in the following summary:

Year	Real	Personal	Total
2007	\$ 156,472,724	\$ 11,696,500	\$ 168,169,224
2006	145,727,735	12,660,800	158,388,535
2005	136,121,925	13,154,800	149,276,725
2004	125,559,436	14,226,956	139,786,392
2003	116,448,638	12,428,600	128,877,238
2002	110,013,445	12,939,849	122,953,294
2001	101,324,029	12,093,968	113,417,997
2000	93,174,860	11,424,033	104,598,893
1999	86,111,960	11,328,803	97,440,763
1998	78,524,379	11,833,695	90,358,074

The State Equalized Valuations do not include valuation of certain facilities which are exempt under Act 198, Public Acts of 1974. This Act is designed to provide stimulus in the form of significant tax incentives to industrial and commercial enterprises to renovate and expand aging facilities and to build new facilities in Michigan. Under the provisions of the Act a local governmental unit (city, village or township) in which the total property tax levy is at least 30 mills or in which a city income tax is levied may establish rehabilitation districts and industrial development districts and offer industrial and commercial firms certain property tax incentives to encourage restoration or replacement of obsolete facilities and to attract new plants to the area.

An Industrial (Act 198) Facilities Exemption Certificate entitles the facility to exemption from ad valorem real and personal property taxes for a period of up to 12 years. In lieu of the property tax the firm will pay a specific tax. The tax for an obsolete facility, which is being restored or replaced, is determined in exactly the same manner as the ad valorem property tax, the important difference being that the state equalized valuation of the property remains at the level assessed on the obsolete facility prior to the improvements, even though the restoration or replacement substantially increases the true cash value of the facility. For a new facility being built in a rehabilitation, or a development district, the tax is also determined as the ad valorem property tax but instead of using the total mills levied as ad valorem taxes, only half of the millage rate is applied. The amount of the resulting tax thus is equal to 50% of the property tax which otherwise would be payable. The 2007 valuation of these certificates is compared with prior years in the following exhibit:

Year	Real	Personal	Total
2007	\$ 463,600	\$ 469,700	\$ 933,300
2006	567,500	599,900	1,167,400
2005	567,500	681,900	1,249,400
2004	422,000	762,600	1,184,600
2003	422,000	946,100	1,368,100
2002	422,000	834,700	1,256,700
2001	120,000	586,500	706,500
2000	145,000	645,000	790,000
1999	145,000	728,400	873,400
1998	265,000	703,800	968,800

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Note D – Capital Assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balances April 1, 2006	Additions	Sales/ Retirements	Balances March 31, 2007
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 309,234	\$ —	\$ —	\$ 309,234
Capital assets being depreciated:				
Land improvements	23,842	—	—	23,842
Buildings and improvements	62,250	—	—	62,250
Furniture and equipment	10,553	—	—	10,553
Totals at historical cost	405,879	\$ —	\$ —	405,879
Less accumulated depreciation for:				
Land improvements	9,537	\$ 1,192	\$ —	10,729
Buildings and improvements	14,761	1,818	—	16,579
Furniture and equipment	2,753	662	—	3,415
Total accumulated depreciation	27,051	\$ 3,672	\$ —	30,723
Net Capital Assets – Governmental Activities	\$ 378,828			\$ 375,156

Depreciation expense was charged to Township activities as follows:

General government	\$ 3,672
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Note E – Due To Other Governmental Units

The amount due to other governmental units of \$32,708 consists of monies owed to the Kent County Road Commission for road construction projects completed during the year ended March 31, 2007, but not paid for until the subsequent fiscal year.

Note F – Long-term Debt

The following is a summary of long-term debt transactions for the year ended March 31, 2007:

	Debt Outstanding April 1, 2006	Debt Added	Debt Retired	Debt Outstanding March 31, 2007
Land Contract				
November 9, 2005	\$ 155,174	\$ —	\$ 19,200	\$ 135,974

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

The following is a summary of the debt outstanding of the Township at March 31, 2007:

	<u>Final Maturity Dates</u>	<u>Interest Rate</u>	<u>Outstanding Balances</u>	<u>Amount Due Within One Year</u>
Land Contract				
\$161,424 Lincoln Lake Avenue Property:				
Monthly payments of \$2,358	Dec. 15, 2012	6.00	<u>\$ 135,974</u>	<u>\$ 19,800</u>

The annual requirements to amortize all long-term debt outstanding at March 31, 2007 are detailed as follows:

<u>Year Ended March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 19,800	\$ 8,496	\$ 28,296
2009	20,500	7,796	28,296
2010	21,300	6,996	28,296
2011	22,300	5,996	28,296
2012	23,500	4,796	28,296
2013	<u>28,574</u>	<u>3,126</u>	<u>31,700</u>
	<u>\$ 135,974</u>	<u>\$ 37,206</u>	<u>\$ 173,180</u>

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

**VERGENNES TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2007 and 2006**

	2007	2006
Assets		
Cash equivalents, deposits and investments	\$ 242,782	\$ 230,027
Receivables:		
Taxes	7,171	6,421
Accounts	-	5,005
Due from other governmental units	40,331	41,063
Total Assets	\$ 290,284	\$ 282,516
 Liabilities and Fund Balances		
Liabilities		
Due to other governmental units	\$ 32,708	\$ 54,856
Fund Balances		
Unreserved:		
Undesignated	257,576	227,660
Total Liabilities and Fund Balances	\$ 290,284	\$ 282,516

VERGENNES TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended March 31, 2007 and 2006

Revenues	<u>2007</u>	<u>2006</u>
Taxes:		
Current property taxes	\$ 137,078	\$ 129,321
Delinquent property taxes	309	286
Industrial facilities taxes	1,107	598
Commercial forest taxes	13	15
Interest and penalties on taxes	854	733
	<u>139,361</u>	<u>130,953</u>
Licenses and permits:		
Cable television fees	7,069	6,689
Building permits	21,589	19,907
Electrical permits	6,777	10,046
Mechanical permits	10,010	8,539
Plumbing permits	1,131	1,466
	<u>46,576</u>	<u>46,647</u>
State sources:		
Sales taxes	245,650	246,812
PA 48/ Metro Act	3,982	3,818
	<u>249,632</u>	<u>250,630</u>
Charges for services:		
Zoning and appeals fees	3,711	3,025
Summer tax collection fees	5,505	5,476
Cemetery grave openings	2,030	3,250
Parcel split fees	1,100	1,200
Sale of cemetery lots	610	1,830
	<u>12,956</u>	<u>14,781</u>
Interest and rentals:		
Interest on deposits and investments	13,643	12,898
Other revenue:		
Refunds of expenditures	1,084	3,233
Grants	5,699	326
	<u>6,783</u>	<u>3,559</u>
Total Revenues	<u><u>\$ 468,951</u></u>	<u><u>\$ 459,468</u></u>

VERGENNES TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2007 and 2006

	2007	2006
Current:		
General government:		
Township board:		
Salaries	\$ 3,420	\$ 2,320
Supervisor:		
Salary	20,500	20,500
Clerk:		
Salary	20,500	20,500
Board of review:		
Salaries	900	900
Mileage and expenses	63	78
	963	978
General administration:		
Clerical salaries	11,466	9,705
Office supplies	4,048	3,849
Professional fees	4,538	4,619
Grant fees	-	5,521
Contracted services	2,169	1,972
Computer services	2,300	3,565
Education	1,716	2,749
Printing and publishing	2,796	2,758
Memberships and dues	3,780	3,813
Miscellaneous	423	394
New equipment	3,503	5,421
	36,739	44,366
Treasurer:		
Salary	20,500	20,500
Property tax administration system	3,284	2,358
	23,784	22,858
Assessor:		
Salaries:		
Assessor	22,121	22,121
Clerical	9,120	10,281
Supplies	1,245	948
Contracted services	1,100	492
	33,586	33,842
Elections:		
Salaries	3,966	587
Miscellaneous	921	73
New equipment	310	-
	5,197	660
Buildings and grounds:		
Custodial salaries	720	720
Telephone	4,264	4,583
Utilities	3,767	3,086
Repair and maintenance	5,024	4,029
New equipment	2,992	2,727
	16,767	15,145

(Continued)

VERGENNES TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2007 and 2006

	2007	2006
Legal and audit:		
Legal fees	\$ 8,341	\$ 24,483
Audit fees	7,130	7,200
Consulting fees	-	635
	<u>15,471</u>	<u>32,318</u>
Cemetery:		
Contracted services	2,930	4,975
Grounds maintenance	4,800	4,700
Miscellaneous	650	823
	<u>8,380</u>	<u>10,498</u>
Total general government	<u>185,307</u>	<u>203,985</u>
Public safety:		
Fire department:		
Lowell - rescue and fire runs	21,732	34,976
County fire assessment	4,641	3,438
New equipment - Lowell	5,714	7,663
	<u>32,087</u>	<u>46,077</u>
Inspections:		
Salaries:		
Building inspector	13,201	11,190
Electrical and mechanical inspector	12,000	12,000
Zoning inspector	15,130	12,442
Miscellaneous	635	-
	<u>40,966</u>	<u>35,632</u>
Total public safety	<u>73,053</u>	<u>81,709</u>
Public works:		
Highways, streets and bridges:		
Road improvements	42,185	39,063
Dust layer	11,661	6,996
	<u>53,846</u>	<u>46,059</u>
Street lighting:		
Utilities	772	712
METRO Act funds	3,000	3,000
	<u>3,772</u>	<u>3,712</u>
Sanitation:		
Sewer extension project	31,041	-
Hydrant rental:		
Hydrant rental fees	5,000	5,000
Total public works	<u>93,659</u>	<u>54,771</u>

(Continued)

VERGENNES TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2007 and 2006

	2007	2006
Community and economic development:		
Planning:		
Planning coordinator salary	\$ 6,600	\$ 6,600
Split coordinator salary	1,161	743
Planning commission fees	5,775	5,435
Professional fees	15,209	4,364
Total community and economic development	28,745	17,142
Recreation and cultural:		
Historical:		
Miscellaneous	1,500	-
Other township:		
Social Security taxes	11,488	10,456
Travel and expense	3,808	3,223
Insurance and bonds	12,143	11,764
Miscellaneous	1,109	2,058
Total other township	28,548	27,501
Capital outlay:		
Land	-	1,270
Building improvements	-	2,843
Total capital outlay	-	4,113
Debt service:		
Principal repayment	19,200	6,250
Interest expense	9,098	3,182
Total debt service	28,298	9,432
Total Expenditures	\$ 439,110	\$ 398,653

PERMANENT FUND

Cemetery Perpetual Care—to account for monies deposited with the Township whose interest earnings will be used for cemetery upkeep.

**VERGENNES TOWNSHIP
Cemetery Perpetual Care Fund
Comparative Balance Sheet
March 31, 2007 and 2006**

	2007	2006
Assets		
Cash equivalents, deposits and investments	\$ 2,000	\$ 2,000
Liabilities and Fund Balances		
Liabilities	\$ -	\$ -
Fund balances		
Unreserved:		
Designated for cemetery improvements	2,000	2,000
Total Liabilities and Fund Balances	\$ 2,000	\$ 2,000

VERGENNES TOWNSHIP
Cemetery Perpetual Care Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Interest and rentals:		
Interest on deposits	\$ 75	\$ 74
Expenditures	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>75</u>	<u>74</u>
Other Financing Sources (Uses)		
Transfers out	<u>(75)</u>	<u>(74)</u>
Net Change in Fund Balances	-	-
Fund Balances, April 1	<u>2,000</u>	<u>2,000</u>
Fund Balances, March 31	<u><u>\$ 2,000</u></u>	<u><u>\$ 2,000</u></u>

AGENCY FUNDS

Trust Account Agency—to account for the collection of delinquent taxes and interest and payment to the governmental units entitled to receive these funds.

Tax Account Agency—to account for the collection of current taxes, collection fees, dog licenses, and payment to the governmental units entitled to receive these funds.

VERGENNES TOWNSHIP
All Agency Funds
Combining Schedule of Changes in Assets and Liabilities
For the year ended March 31, 2007

	<u>Balances</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>March 31, 2007</u>
Trust Account Fund				
Assets				
Cash equivalents, deposits and investments	\$ 5,358	\$ 76,707	\$ 69,211	\$ 12,854
Liabilities				
Escrow deposits	\$ 5,358	\$ 60,019	\$ 52,523	\$ 12,854
Due to other funds	-	1,257	1,257	-
Due to other governmental units	-	15,431	15,431	-
Total Liabilities	\$ 5,358	\$ 76,707	\$ 69,211	\$ 12,854
Tax Account Fund				
Assets				
Cash equivalents, deposits and investments	\$ -	\$ 4,599,712	\$ 4,599,712	\$ -
Liabilities				
Accounts payable	\$ -	\$ 10,372	\$ 10,372	\$ -
Due to other funds	-	134,940	134,940	-
Due to other governmental units	-	4,454,400	4,454,400	-
Total Liabilities	\$ -	\$ 4,599,712	\$ 4,599,712	\$ -
Totals - All Agency Funds				
Assets				
Cash equivalents, deposits and investments	\$ 5,358	\$ 4,676,419	\$ 4,668,923	\$ 12,854
Liabilities				
Accounts payable	\$ -	\$ 10,372	\$ 10,372	\$ -
Escrow deposits	5,358	60,019	52,523	12,854
Due to other funds	-	136,197	136,197	-
Due to other governmental units	-	4,469,831	4,469,831	-
Total Liabilities	\$ 5,358	\$ 4,676,419	\$ 4,668,923	\$ 12,854

OTHER INFORMATION

VERGENNES TOWNSHIP
Summary of 2006 Taxes Levied and Collected
For the year ended March 31, 2007

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Ad Valorem Taxes</u>					
Kent County					
Operating	\$158,388,535	5.3140	\$ 850,024	\$ 36,877	\$ 813,147
Kent District Library	158,388,535	0.8800	138,670	7,254	131,416
State Education Tax					
Lowell Area Schools	158,388,535	6.0000	945,537	33,524	912,013
School Districts					
Kent Intermediate School District	158,388,535	4.6453	739,137	26,206	712,931
Grand Rapids Community College	158,388,535	1.7865	281,526	9,981	271,545
Lowell Area Schools:					
Other	158,388,535	7.0000	1,108,703	48,410	1,060,293
Operating	31,340,786	16.9751	549,768	25,667	524,101
Total School Districts			2,679,134	110,264	2,568,870
Vergennes Township					
Operating	158,388,535	0.8732	137,079	7,171	129,908
Delinquent sewer assessments			428	-	428
Total Township			137,507	7,171	130,336
Total Ad Valorem Taxes			<u>\$4,750,872</u>	<u>\$ 195,090</u>	<u>\$4,555,782</u>
<u>Tax Abatements</u>					
Industrial Facilities (P.A. 198) New	1,167,400				
Kent County		2.65700	\$ 2,242	\$ 324	\$ 1,918
Kent District Library		0.44000	366	53	313
State education tax:					
Lowell Area Schools		6.00000	4,988	720	4,268
Kent Intermediate School District		2.32265	1,949	281	1,668
Grand Rapids Community College		0.89325	742	107	635
Lowell Area Schools:					
Operating		3.50000	4,086	420	3,666
Other		8.48755	7,482	1,080	6,402
Vergennes Township:					
Operating		0.43660	362	52	310
Total Industrial Facilities (P.A. 198) NEW			<u>\$ 22,217</u>	<u>\$ 3,037</u>	<u>\$ 19,180</u>

(Continued)

VERGENNES TOWNSHIP
Summary of 2006 Taxes Levied and Collected
For the year ended March 31, 2007

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
Commercial Forest Taxes					
Kent County		2.65700	\$ 27	\$ -	\$ 27
Kent District Library		0.44000	4	-	4
State education tax:					
Forest Hills Public Schools		6.00000	30	-	30
Kent Intermediate School District		2.32265	24	-	24
Grand Rapids Community College		0.89325	9	-	9
Lowell Area Schools:					
Other		8.48755	127	-	127
Vergennes Township		0.43660	4	-	4
			<u>4</u>	<u>-</u>	<u>4</u>
Total Commercial Forest Taxes			<u>\$ 225</u>	<u>\$ -</u>	<u>\$ 225</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 1, 2007

The Township Board
Vergennes Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Vergennes Township as of and for the year ended March 31, 2007. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this Statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Vergennes Township.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Significant Accounting Policies

The elected officials and management of Vergennes Township have the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter will advise the Township elected officials and management about the appropriateness of accounting policies and their application. The significant accounting policies used by Vergennes Township are described in Note A of the Notes to Basic Financial Statements in the Comprehensive Annual Financial Report.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing our audit of the financial records of Vergennes Township. We found that the internal control structure and accounting system was adequate and operating in the manner intended.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements.

General Fund

1. \$6,421 and \$7,171 to reverse and accrue prior and current year taxes receivable.
2. \$54,856 and \$54,856 to reverse and accrue prior year and current year end accounts payable for road improvements.
3. \$41,063 and \$40,331 to reverse and accrue final state revenue sharing payments receivable at year end.
4. \$5,005 to reverse prior year accounts receivable for grant revenue.

Passed Audit Adjustments

There were no adjustments proposed during the audit that were not recorded by Vergennes Township.

Suggestions And Recommendations

We offered suggestions and recommendations of a minor nature regarding the day-to-day operations of the accounting system to the Township Clerk and Treasurer as the topics arose during the course of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the Township's business office and assist in more efficient monthly and year end financial record keeping and reporting. The following recommendations pertain to the enhanced requirements detailed in the AICPA's Statement on Auditing Standards No. 112 "Communicating Internal Control Related Matters Identified in an Audit", effective for audits of financial statements for periods ending on or after December, 31, 2006:

- The Township should consider dual signature checks for disbursements from the Tax and Trust Account Agency Funds, and Township Board review and approval of disbursement checks written, to insure independent oversight of these funds.
- The Township should complete a *documented* system of its accounting procedures and internal controls to insure that its operations are completed as designed and so third-parties can review these policies to see that they are operating as intended.

* * * * *

This communication is intended solely for the information and use of the Township Board, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Vergennes Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of Vergennes Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Aldwin, Nichols & Austin, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 1, 2007

The Township Board
Vergennes Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Vergennes Township as of and for the year ended March 31, 2007. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP), the person responsible for the accounting and reporting function lacks the skills and knowledge to apply (GAAP) in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Vergennes Township is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Vergennes Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Vergennes Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

- Employees or management who lack the qualifications and training to fulfill certain functions; specifically, the lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) in recording the Township's financial transactions or preparing its financial statements (including the notes to basic financial statements).

This communication is intended solely for the information and use of management, the Township Board, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Alderson, Nichols & Bentley, P.C.

Certified Public Accountants